

Auditing Procedures Report

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Issued under Public Act 2 of 1968, as amended.

Unit Name	Charlevoix County Road Commission	County	CHARLEVOIX	Type	OTHER	MuniCode	15-0-100
Opinion Date-Use Calendar	May 30, 2008	Audit Submitted-Use Calendar	Jun 25, 2008	Fiscal Year-Use Drop List	2007		

If a local unit of government (authorities & commissions included) is operating within the boundaries of the audited entity and is NOT included in this or any other audit report, nor do they obtain a stand-alone audit, enclose the name(s), address(es), and a description(s) of the authority and/or commission.

Place a check next to each "Yes" or non-applicable question below. Questions left unmarked should be those you wish to answer "No".

<input checked="" type="checkbox"/> 1. Are all required component units/funds/agencies of the local unit included in the financial statements and/or disclosed in the reporting entity notes to the financial statements?
<input checked="" type="checkbox"/> 2. Does the local unit have a positive fund balance in all of its unreserved fund balances/unrestricted net assets?
<input type="checkbox"/> 3. Were the local unit's actual expenditures within the amounts authorized in the budget?
<input checked="" type="checkbox"/> 4. Is this unit in compliance with the Uniform Chart of Accounts issued by the Department of Treasury?
<input checked="" type="checkbox"/> 5. Did the local unit adopt a budget for all required funds?
<input checked="" type="checkbox"/> 6. Was a public hearing on the budget held in accordance with State statute?
<input checked="" type="checkbox"/> 7. Is the local unit in compliance with the Revised Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, and other guidance as issued by the Local Audit and Finance Division?
<input checked="" type="checkbox"/> 8. Has the local unit distributed tax revenues, that were collected for another taxing unit, timely as required by the general property tax act?
<input checked="" type="checkbox"/> 9. Do all deposits/investments comply with statutory requirements including the adoption of an investment policy?
<input checked="" type="checkbox"/> 10. Is the local unit free of illegal or unauthorized expenditures that came to your attention as defined in the Bulletin for Audits of Local Units of Government in Michigan, as revised (see Appendix H of Bulletin.)
<input checked="" type="checkbox"/> 11. Is the unit free of any indications of fraud or illegal acts that came to your attention during the course of audit that have not been previously communicated to the Local Audit and Finance Division? (If there is such activity, please submit a separate report under separate cover.)
<input checked="" type="checkbox"/> 12. Is the local unit free of repeated reported deficiencies from previous years?
<input checked="" type="checkbox"/> 13. Is the audit opinion unqualified? 14. If not, what type of opinion is it? <input type="text" value="NA"/>
<input checked="" type="checkbox"/> 15. Has the local unit complied with GASB 34 and other generally accepted accounting principles (GAAP)?
<input checked="" type="checkbox"/> 16. Has the board or council approved all disbursements prior to payment as required by charter or statute?
<input checked="" type="checkbox"/> 17. To your knowledge, were the bank reconciliations that were reviewed performed timely?
<input checked="" type="checkbox"/> 18. Are there reported deficiencies? <input checked="" type="checkbox"/> 19. If so, was it attached to the audit report?

General Fund Revenue:	\$ 6,259,944.00
General Fund Expenditure:	\$ 5,942,627.00
Major Fund Deficit Amount:	\$ 0.00

General Fund Balance:	\$ 2,179,557.00
Governmental Activities Long-Term Debt (see instructions):	\$ 41,708.00

We affirm that we are certified public accountants (CPA) licensed to practice in Michigan. We further affirm the above responses have been disclosed in the financial statements, including the notes, or in the Management Letter (Reported deviations).

CPA (First Name)	Frederick C.	Last Name	Gardner	Ten Digit License Number			1101009577		
CPA Street Address	4855 State Street	City	Saginaw	State	MI	Zip Code	48603	Telephone	+1 (989) 790-3900
CPA Firm Name	Gardner, Provenzano, Schaun	Unit's Street Address	1251 Boyne Ave.	City	Boyne City	LU Zip	49712		



**Gardner | Provenzano
Schauman & Thomas**

CERTIFIED PUBLIC ACCOUNTANTS

CHARLEVOIX COUNTY ROAD COMMISSION

Boyne City, Michigan

Financial Statements

December 31, 2007



Contents

	<u>Page Number</u>
Independent Auditor's Report	
Management's Discussion and Analysis	1
Financial Statements	
Statement of Net Assets and Governmental Fund Balance Sheet	5
Reconciliation of Governmental Fund Balance to Net Assets of Governmental Activities	6
Statement of Activities and Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balance	7
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance of Governmental Fund to the Statement of Activities	8
Notes to Financial Statements	9
Required Supplemental Information	20
Budgetary Comparison Schedule	21
Additional Supplemental Information	22
Analysis of Revenues, Expenditures, and Changes in Fund Balance	23
Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with <u>Government Auditing Standards</u>	24

CHARLEVOIX COUNTY ROAD COMMISSION
BOARD OF COUNTY ROAD COMMISSIONERS

Doug Way	Chairman
Wayne Saunders	Vice-Chairman
Keith Ogden	Member
Patrick Harmon	Manager
Shelley Kondrat	Clerk
James Vanek	Staff Engineer



Gardner | Provenzano Schauman & Thomas

CERTIFIED PUBLIC ACCOUNTANTS

Frederick C. Gardner
Giacamo Provenzano
James R. Schauman
Heather A. Thomas

INDEPENDENT AUDITOR'S REPORT

May 30, 2008

Honorable Chairman
Members of the County Road Commission
County of Charlevoix, Michigan

We have audited the accompanying financial statements of the governmental activities of the Charlevoix County Road Commission, a component unit of Charlevoix County, as of and for the year ended December 31, 2007, which comprise the Road Commission's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the Charlevoix County Road Commission's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.


In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities of the Charlevoix County Road Commission as of December 31, 2007, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Honorable Chairman
Members of the County Road Commission
County of Charlevoix, Michigan
Page Two
May 30, 2008

In accordance with Government Auditing Standards, we have also issued a report dated May 30, 2008 on our consideration of the Charlevoix County Road Commission's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and important for assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information are not a required part of the financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The additional supplemental information is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements of Charlevoix County Road Commission and, in our opinion, is fairly presented in all material respects in relation to the financial statements taken as a whole.


Certified Public Accountants

CHARLEVOIX COUNTY ROAD COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

Introduction

Charlevoix County Road Commission (CCRC) is a single purpose government providing road maintenance and preservation/construction on certified county roads in Charlevoix County, Michigan.

In 2003, the Governmental Accounting Standards Board Statement Number 34 (GASB 34) changed the Road Commission's financial statements from modified accrual to full accrual accounting. Government financial statements are based on the modified accrual accounting method, while the term government-wide statements refer to the newly required full accrual method. Full accrual requirements recognize roads, bridges, signals, etc., as capitalized assets; whereas modified accrual does not. Single purpose governments are allowed to show both modified accrual and full accrual statements on a single page.

CCRC audited financial activities are presented herein. These statements include the following:

- Statement of Net Assets and Governmental Fund Balance Sheet,
- Reconciliation of Governmental Fund Balance to Net Assets of Governmental Activities,
- Statement of Activities and Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balance, and
- Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund balance of Governmental Fund to the Statement of Activities for the Year Ended December 31, 2007.

CHARLEVOIX COUNTY ROAD COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

Condensed Financial Statements

Following are CCRC condensed government-wide financial statements. The reports include current and prior year balances for comparison.

Condensed Statement of Net Assets

Assets	2007	2006
General fund	\$ 2,463,552	\$ 2,062,884
Capital assets	19,795,307	19,050,942
Total Assets	<u>\$ 22,258,859</u>	<u>\$ 21,113,826</u>
Liabilities		
General fund liabilities	\$ 283,995	\$ 200,644
Liabilities associated with long-term debt	41,708	41,136
Total Liabilities	<u>325,703</u>	<u>241,780</u>
Net Assets		
General fund net assets	2,137,849	1,821,104
Invested in capital assets	19,795,307	19,050,942
Total Net Assets	<u>\$ 21,933,156</u>	<u>\$ 20,872,046</u>

Condensed Statement of Activities

Revenue		
Intergovernmental	\$ 5,693,742	\$ 4,857,356
Other contributions and service charges	451,945	395,998
Other	114,257	191,991
Total Revenue	<u>6,259,944</u>	<u>5,445,345</u>
Expenses		
Primary maintenance	768,997	766,825
Local maintenance	1,940,304	1,555,784
Trunkline maintenance	431,333	393,635
Administrative	438,389	397,393
Depreciation	1,619,811	1,443,660
Total Expenses	<u>5,198,834</u>	<u>4,557,297</u>
Change in Net Assets	<u>\$ 1,061,110</u>	<u>\$ 888,048</u>

Additional Comments

During 2007, net assets increased by \$1,061,110 or 5%. As in 2006, the increase in net assets reflects a greater investment in new capital assets, i.e. road improvements, than the expenses associated with capital assets such as depreciation.

CHARLEVOIX COUNTY ROAD COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

Additional Comments (continued)

Compared to the 2006 \$37,320 fund balance increase, 2007 ended with a \$317,317 or 17% increase of beginning fund balance. Management is confident the \$2,179,557 fund balance provides sufficient working capital to support future CCRC operations.

Budget

CCRC's budget is prepared in accordance with state law using the modified accrual method.

Original Budget Versus Amended Budget

The 2007 beginning budget was adopted on December 29, 2006. The budget is reviewed periodically and amended as information becomes available or management's plans change. The amended budgeted revenue increased by \$1,738,430 when compared to the original budget. The increase in budgeted revenue was primarily due to an increase in township road reconstruction agreements totaling \$1,877,000. This increase was offset by a decrease in budgeted Federal and State grants of approximately \$150,000.

The remaining adjustments to the budgeted revenue amounts are not considered to be significant by management.

Total budgeted expenditures increased from the original budget to the amended budget by \$1,470,650. The increase was due primarily by the expenses associated with the increase in the township funded road reconstruction projects and increased fuel costs.

The remaining adjustments to the budgeted expenditure amounts are not considered to be significant by management.

Amended Budget Versus Actual

Total revenue received was more than the final amended budgeted revenue by \$274,170. The difference was due to actual amounts received for township contributions and state highway maintenance reimbursements exceeding final anticipated budget amounts.

Total actual expenditures exceeded the final amended budget amounts by \$224,633. The variance is due in part to greater than anticipated administrative and equipment expenditures totaling \$262,519 and greater than anticipated maintenance expenditures totaling \$228,875. The variance was partially offset by lower than anticipated capital outlay expenditures of \$87,216 and lower than anticipated preservation expenditures of \$185,878.

Additional budgetary comparison information can be found in the required supplementary information.

CHARLEVOIX COUNTY ROAD COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

Capital Assets and Long Term Debt

CCRC capital assets, including infrastructure (roads, bridges and signals) are valued, for full accrual accounting purposes, net of accumulated depreciation, at \$19,795,307.

	2007	2006
Land and improvements	\$ 2,276,634	\$ 2,153,943
Buildings and improvements	1,585,191	1,556,671
Road equipment	5,029,702	5,029,702
Other equipment	224,665	223,786
Infrastructure and improvements	26,078,183	23,866,099
Total Capital Assets	35,194,375	32,830,201
Accumulated Depreciation	(15,399,068)	(13,779,259)
Net Capital Assets	<u>\$ 19,795,307</u>	<u>\$ 19,050,942</u>

Additional capital assets information is located in the financial statements, Note 4.

The Charlevoix County Road Commission has no long term debt other than compensated absences in the amount of \$41,708.

Other

Management is not currently aware of any known facts, decisions, or conditions expected to have a significant effect on the CCRC future financial condition.

Contacting the Road Commission's Financial Management

This financial report provides the motoring public, citizens and other interested parties with the Road Commission's general financial overview and accountability for money it receives. If you require further financial information, please contact the Charlevoix County Road Commission administrative office at:

1251 Boyne Avenue
P.O. Box 39
Boyne City, MI 49712-0039
(231) 582-7330

CHARLEVOIX COUNTY ROAD COMMISSION
STATEMENT OF NET ASSETS AND GOVERNMENTAL FUND BALANCE SHEET
DECEMBER 31, 2007

	General Fund	Adjustments	Statement of Net Assets
ASSETS			
Cash	\$ 361,421	\$ -	\$ 361,421
Interest bearing accounts	822,683	-	822,683
Accounts Receivable			
State Transportation Department	562,935	-	562,935
Other	13,832	-	13,832
Inventories			
Road Materials	654,149	-	654,149
Equipment, materials, and parts	48,532	-	48,532
Capital Assets			
Land and land improvements	-	2,276,634	2,276,634
Other capital assets, net of accumulated depreciation	-	17,518,673	17,518,673
Total Assets	<u>\$ 2,463,552</u>	<u>\$ 19,795,307</u>	<u>\$ 22,258,859</u>
LIABILITIES			
Accounts payable	\$ 48,653	\$ -	\$ 48,653
Accrued liabilities	32,158	-	32,158
Advances	203,184	-	203,184
Deferred revenue	-	-	-
Long-term liabilities	-	41,708	41,708
Total Liabilities	<u>283,995</u>	<u>41,708</u>	<u>325,703</u>
FUND BALANCE/NET ASSETS			
Fund Balances:			
Reserved for inventories	48,532	(48,532)	-
Unreserved			
Undesignated	2,131,025	(2,131,025)	-
Total Fund Balance	<u>2,179,557</u>	<u>(2,179,557)</u>	<u>-</u>
Total Liabilities and Fund Balance	<u>\$ 2,463,552</u>		
Net Assets			
Invested in capital assets		19,795,307	19,795,307
Restricted for primary		1,972,384	1,972,384
Unrestricted		165,465	165,465
Total Net Assets		<u>\$ 21,933,156</u>	<u>\$ 21,933,156</u>

The accompanying notes are an integral part of these financial statements.

CHARLEVOIX COUNTY ROAD COMMISSION
RECONCILIATION OF GOVERNMENTAL FUND BALANCE TO
NET ASSETS OF GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2007

Total governmental fund balance	\$ 2,179,557
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds	19,795,307
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds	(41,708)
Net Assets of Governmental Activities	<u>\$ 21,933,156</u>

The accompanying notes are an integral part of these financial statements.

CHARLEVOIX COUNTY ROAD COMMISSION
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUND STATEMENT OF
REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED DECEMBER 31, 2007

	General Fund	Adjustments	Statement of Activities
Revenue			
Transportation fund	\$ 3,122,184	\$ -	\$ 3,122,184
Economic development fund	125,294	-	125,294
Federal grants	336,015	-	336,015
City and Township contributions	2,110,249	-	2,110,249
Other contributions and service charges	451,945	-	451,945
Other revenues	114,257	-	114,257
Total Revenue	<u>6,259,944</u>	<u>-</u>	<u>6,259,944</u>
Expenditures/Expenses			
Primary preservation - structural improvements	1,114,546	(1,114,546)	-
Local preservation - structural improvements	1,220,229	(1,220,229)	-
Primary maintenance	1,027,345	(258,348)	768,997
Local maintenance	2,220,180	(279,876)	1,940,304
Trunkline maintenance	431,333	-	431,333
Administrative	437,817	574	438,391
Net equipment expense	(51,007)	51,007	-
Net capital outlay			
Capital outlay	29,401	(29,401)	-
Depreciation	(487,217)	487,217	-
Depreciation	-	1,619,809	1,619,809
Total Expenditures/Expenses	<u>5,942,627</u>	<u>(743,793)</u>	<u>5,198,834</u>
Excess of Revenue Over (Under) Expenditures	317,317	(317,317)	-
Change in Net Assets	-	1,061,110	1,061,110
Fund Balance/Net Assets - Beginning of Year	<u>1,862,240</u>	<u>19,009,806</u>	<u>20,872,046</u>
Fund Balance/Net Assets - End of Year	<u>\$ 2,179,557</u>	<u>\$ 19,753,599</u>	<u>\$ 21,933,156</u>

The accompanying notes are an integral part of these financial statements.

CHARLEVOIX COUNTY ROAD COMMISSION
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE OF GOVERNMENTAL FUND TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2007

Net change in fund balance	\$ 317,317
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Amounts reported for governmental activities are
different because:

Governmental fund reports capital outlays as expenditures. However,
in the statement of activities, the cost of these assets is depreciated
over their estimated useful lives.

Expenditures for capital assets	2,364,176
Current year depreciation	(1,619,809)

In the Statement of Activities, liabilities at the end of the period for
compensated absences are adjusted to their current balance,
whereas in governmental funds, an expenditure is reported when paid. (574)

Change in Net Assets of Governmental Activities	<u>\$ 1,061,110</u>
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The accompanying notes are an integral part of these financial statements.

CHARLEVOIX COUNTY ROAD COMMISSION
NOTES TO FINANCIAL STATEMENTS

NOTE 1--Summary of Significant Accounting Policies

The Charlevoix County Road Commission's financial statements are prepared in accordance with United States generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements. Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with GASB pronouncements. The more significant accounting policies established in GAAP and used by the commission are discussed below.

Reporting Entity

The commission is governed by a three-member board of county road commissioners appointed by the Charlevoix County Board of Commissioners. The commission is a component unit of the Charlevoix County and its financial statements are an integral part of the comprehensive annual financial report of the Charlevoix County.

Based upon GASB Statement 14, which establishes criteria for determining the reporting entity, these financial statements present the Charlevoix County Road Commission, a discretely presented component unit of Charlevoix County, and include the commission's general operations fund.

Basic Financial Statements -- Government -Wide Statements

The statement of net assets and the statement of activities display information about the commission as a whole. The purpose of these statements is to distinguish between activities that are governmental and those that are considered business-type activities. Currently, all commission activity is considered governmental.

CHARLEVOIX COUNTY ROAD COMMISSION
NOTES TO FINANCIAL STATEMENTS

NOTE 1--Summary of Significant Accounting Policies (continued)

Basic Financial Statements -- Government -Wide Statements (continued)

The government-wide statements are prepared using the economic resources measurement focus and the accrual basis of accounting. This approach is different from the manner in which the governmental fund financial statements are prepared. Therefore, a reconciliation is included to identify the relationship between the government-wide statements and the statements for the governmental fund.

The government-wide statement of activities presents a comparison between program expenses and program revenues. Revenues which are not classified as program revenues are presented as general revenues. The comparison of program expenses and revenues identifies the extent to which each program is self-financing or draws from the resources of the commission.

This government-wide approach is focused more on the sustainability of the commission as an entity and the change in the commission's net assets from the current year's activities.

Basic Financial Statements -- Fund Financial Statements

The accounts of the commission are organized on a fund basis. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations.

The commission's operations are accounted for in one fund, the general operations fund.

CHARLEVOIX COUNTY ROAD COMMISSION
NOTES TO FINANCIAL STATEMENTS

NOTE 1--Summary of Significant Accounting Policies (continued)

Basic Financial Statements – Fund Financial Statements (continued)

Fund financial statements generally report detailed information about the governmental entity. The focus of the governmental financial statements is on major funds rather than reporting all funds by type. The commission has only one major fund and no non-major funds.

The governmental fund is accounted for using the modified accrual basis of accounting and the current financial resources measurement focus. According to this basis, revenues are recognized when they become measurable and available. Available is defined as being received within two months of year end. Expenditures are recognized in the period in which the fund liability is incurred, if measurable.

Cash and Cash Equivalents

The commission's cash and cash equivalents are considered to be demand deposits and short-term investments with a maturity date of three months or less when acquired.

Inventories

Inventories, which consist of road materials and equipment supplies, are valued at cost (first-in/first-out and average cost). Costs are recorded as assets when purchased, and charged to expense when used.

CHARLEVOIX COUNTY ROAD COMMISSION
NOTES TO FINANCIAL STATEMENTS

NOTE 1--Summary of Significant Accounting Policies (continued)

Capital Assets and Depreciation

Capital assets purchased or acquired are reported at historic cost. Contributed assets are reported at fair market value when received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation is computed on the sum-of-the-year's-digits methods for road equipment and straight-line method for all other capital assets over the following estimated useful lives:

	<u>Years</u>
Buildings	25 – 50
Road Equipment	5 – 8
Other Equipment	4 – 20
Infrastructure	5 – 50

GASB 34 requires the commission to report and depreciate infrastructure assets in its government-wide statements. Infrastructure assets include roads, bridges, traffic signals, etc.

Budgets and Budgetary Accounting

The commission follows these procedures in establishing the budgetary data reflected in the financial statements:

1. A budget, (prepared on the modified accrual basis of accounting), is submitted to the Charlevoix County Board of Road Commissioners prior to January 1 of each year. The budget includes proposed expenditures and a means of financing them.
2. The Board of Road Commissioners' approved budget is then submitted to the Charlevoix County Board of Commissioners.
3. The budget is adopted on a basis consistent with generally accepted accounting principles and revised as deemed necessary during the year.

CHARLEVOIX COUNTY ROAD COMMISSION
NOTES TO FINANCIAL STATEMENTS

NOTE 1--Summary of Significant Accounting Policies (continued)

Budgets and Budgetary Accounting (continued)

Public Act 621 of 1978, as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated. During the year ended December 31, 2007, certain unfavorable variances occurred between budgeted and actual expenditures as listed below:

	Amended Budget	Actual	Actual Over Budget
Regular maintenance	\$ 3,018,650	\$ 3,247,525	\$ 228,875
Trunkline maintenance	\$ 425,000	\$ 431,333	\$ 6,333
Administrative (net)	\$ 302,491	\$ 437,817	\$ 135,326
Equipment expense (net)	\$ (178,200)	\$ (51,007)	\$ 127,193

NOTE 2--Cash, Cash Equivalents and Investments

The county road commission is legally authorized to deposit and invest in the following:

1. In bonds, securities and other obligations of the United States or agency or instrumentality of the United States.
2. In certificates of deposit, saving accounts, deposit accounts, or depository receipts of a bank which is a member of the FDIC, a savings and loan association which is a member of the Federal Savings and Loan Insurance Corporation or a credit union which is insured by the National Credit Union Administration.
3. In commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and which matures not more than 270 days after the purchase date.
4. In United States government or federal agency obligation repurchase agreements.
5. In banker's acceptance of United States banks.
6. In obligations of the state or any of its political subdivisions that at the time of purchase are rated as investment grade by not less than one standard rating service.
7. In mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

State statutes require that certificates of deposit, savings accounts, deposit accounts and depository receipts be made with banks having a place of business in the State of Michigan.

CHARLEVOIX COUNTY ROAD COMMISSION
NOTES TO FINANCIAL STATEMENTS

NOTE 2--Cash, Cash Equivalents and Investments (continued)

At year-end, the carrying amount of the commission's deposits was \$1,184,104 and the bank balance was \$1,479,021. Of the bank balance \$100,000 was covered by federal depository insurance and \$1,325,220 was uninsured and uncollateralized.

The commission's deposits are categorized below according to level of credit risk:

- Category 1 represents the county road commission's insured or collateralized deposits with securities held by the commission or by its agent in the commission's name.
- Category 2 represents the county road commission's collateralized deposits with securities held by the pledging financial institution's trust department or agent in the county road commission's name.
- Category 3 represents the county road commission's uncollateralized deposits including any bank balances that are collateralized with securities held by the pledging financial institution's trust department or agent but not in the county road commission's name.

	Category			Bank Balance	Carrying Amount
	1	2	3		
Demand deposits	\$ -	\$ -	\$ 361,221	\$ 656,338	\$ 361,221
Funds held by County	-	-	822,683	822,683	822,683
Cash on hand	-	-	200	-	200
Totals	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,184,104</u>	<u>\$ 1,479,021</u>	<u>\$ 1,184,104</u>

It is the policy of the Commission to deposit excess monies with the Charlevoix County Treasurer; investments are made at the Treasurer's discretion.

Below is the detail of the cash amounts held by the Charlevoix County Treasurer at December 31, 2007

Equipment	\$ 314,067
Preventative Maintenance	112,993
Construction	153,079
Building and Grounds	94,846
Insurance	147,698
Total funds held by County	<u>\$ 822,683</u>

CHARLEVOIX COUNTY ROAD COMMISSION
NOTES TO FINANCIAL STATEMENTS

NOTE 3--Pension Plan

Plan Description

The Road Commission's defined benefit pension plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. The Road Commission participates in the Municipal Employees' Retirement System of Michigan (MERS), an agent multiple-employer plan administered by the MERS Retirement Board, Act No. 427 of the Public Acts of 1984, as amended, establishes and amends the benefit provisions of the participants in MERS. The Municipal Employees' Retirement System of Michigan issues a publicly available financial report that includes financial statements and required supplementary information for MERS. That report may be obtained by writing the Municipal Employees' Retirement System of Michigan, 1134 Municipal Way, Lansing, Michigan 48917 or by calling (800) 767-6377.

Funding Policy

The Road Commission is required to contribute at an actuarially determined rate; the current rate is 15.06% of annual covered payroll. Employees are currently not required to contribute to the plan. The contribution requirements of the Road Commission are established and may be amended by the Retirement Board of MERS. The contribution requirements of plan members, if any, are established and may be amended by the Road Commission depending on the MERS contribution program adopted by the Road Commission.

Annual Pension Cost

For the year ended December 31, 2007, the Road Commission's annual pension cost of \$187,608 for MERS was equal to the Road Commission's minimum required contributions. The Road Commission's actual contribution for 2007 was \$186,714. The required contribution was determined as part of the December 31, 2006 actuarial valuation using the entry age actuarial cost method.

CHARLEVOIX COUNTY ROAD COMMISSION
NOTES TO FINANCIAL STATEMENTS

NOTE 3--Pension Plan (continued)

Annual Pension Cost (continued)

The actuarial assumptions included (a) a rate of return on the investment of present and future assets of 8.0%, (b) projected salary increases of 4.5% per year compounded annually, attributable to inflation, (c) additional projected salary increase of 0.0% to 4.2% per year, depending on age, attributable to seniority/merit and (d) the assumption that benefits will increase 2.5% per year after retirement for persons under Benefit E-1 or E-2. The actuarial value of MERS assets was determined on the basis of a valuation method that assumes the fund earns the expected rate of return and includes an adjustment to reflect market value. The Road Commission's actuarial accrued liability is \$1,428,736 as of December 31, 2006, the date of the last actuary report.

Three-year Trend Information

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
12-31-05	\$ 135,328	100%	\$ -
12-31-06	\$ 183,108	98%	\$ 3,390
12-31-07	\$ 187,608	99%	\$ 894

The Road Commission's actual contribution amount was computed under the Accelerated Funding Credits program adopted by MERS in 1984. The program allows municipalities with funded percentages of 110% or greater to make no contributions.

CHARLEVOIX COUNTY ROAD COMMISSION
NOTES TO FINANCIAL STATEMENTS

NOTE 3--Pension Plan (continued)

Annual Pension Cost (continued)

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets [a]	Actuarial Accrued Liability Entry Age [b]	Unfunded AAL (UAAL) [b-a]	Funded Ratio [a/b]	Covered Payroll [c]	UAAL as a % of Covered Payroll [b-a]/[c]
12-31-04	\$ 4,355,228	\$ 5,590,766	\$ 1,235,538	78%	\$ 1,292,199	96%
12-31-05	\$ 4,432,711	\$ 5,823,555	\$ 1,390,844	76%	\$ 1,289,471	107%
12-31-06	\$ 4,609,785	\$ 6,038,521	\$ 1,428,736	76%	\$ 1,248,234	114%

NOTE 4--Capital Assets and Depreciation

A summary of the changes in capital assets is as follows:

	Balance 12-31-2006	Additions	Retirements	Balance 12-31-2007
Capital Assets Not Being Depreciated				
Land and improvements	\$ 82,574	\$ -	\$ -	\$ 82,574
Land and improvements, infrastructure	2,071,369	122,691	-	2,194,060
Total Land and improvements	2,153,943	122,691	-	2,276,634
Other Capital Assets				
Buildings and improvements	1,556,671	28,520	-	1,585,191
Road equipment	5,029,702	-	-	5,029,702
Other equipment	223,786	879	-	224,665
Infrastructure and improvements	23,866,099	2,212,084	-	26,078,183
Total Other Capital Assets	30,676,258	2,241,483	-	32,917,741
Total Capital Assets	32,830,201	2,364,174	-	35,194,375
Accumulated Depreciation				
Buildings and improvements	543,467	37,759	-	581,226
Road equipment	3,476,245	444,299	-	3,920,544
Other equipment	189,075	5,158	-	194,233
Infrastructure and improvements	9,570,472	1,132,593	-	10,703,065
Total Accumulated Depreciation	13,779,259	1,619,809	-	15,399,068
Total Net Capital Assets	\$ 19,050,942	\$ 744,365	\$ -	\$ 19,795,307

CHARLEVOIX COUNTY ROAD COMMISSION
NOTES TO FINANCIAL STATEMENTS

NOTE 5--Long-Term Liabilities

Compensated Absences - Employees accumulate 8 hours of sick leave per month. A maximum of 520 hours can be accumulated. Upon termination, the employee receives no payment for the accumulated sick leave.

Employees can carry over up to 5 days of vacation per year. Accumulated vacation is fully paid to the employee upon termination of employment. Accumulated vacation amounted to \$41,708 at the end of 2007.

NOTE 6--Risk Management

The Road Commission is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During 2007, the Road Commission participated in the Michigan County Road Commission Self Insurance Pool (SIP), a public entity risk pool currently operating as a common risk management program for road commissions in the State of Michigan. The Road Commission pays an annual premium to SIP for its general insurance coverage. The SIP is self-sustaining through member premiums.

During 2007 the Road Commission also participated in the County Road Association Self Insurance Fund (SIF) for its workers' compensation benefits. The SIF is also a common risk management program for road commissions in the State of Michigan and is self-sustaining through premiums.

In the event of unusually high claims, both the SIP and the SIF have the authority to bill the member road commissions retroactively. The Road Commission continues to carry commercial insurance for other risks of loss, including employee health and accident and life insurance.

CHARLEVOIX COUNTY ROAD COMMISSION
NOTES TO FINANCIAL STATEMENTS

NOTE 7--Contingency

The Commission has received significant financial assistance from state agencies in the form of various grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreement and is subject to audit by the grantor agency. Any disallowed claims resulting from such audits could become a liability of the applicable fund of the Commission. In the opinion of management, any such disallowed claims could have a material effect on any of the financial statements included herein or on the overall financial position of the Commission at December 31, 2007.

Federal financial awards received under the planning and construction program in the amount of \$336,015 are administered by the State of Michigan. The Road Commission has no responsibility regarding fiscal or compliance controls over such assistance.

REQUIRED SUPPLEMENTAL INFORMATION

CHARLEVOIX COUNTY ROAD COMMISSION
BUDGETARY COMPARISON SCHEDULE
GENERAL OPERATIONS FUND
FOR THE YEAR ENDED DECEMBER 31, 2007

	Original Budget	Final Budget	Actual	Actual Vs. Final Budget Variance
Revenue				
Transportation fund	\$ 3,090,000	\$ 3,075,897	\$ 3,122,184	\$ 46,287
Economic development fund	-	-	125,294	125,294
Federal and State grants	537,444	387,240	336,015	(51,225)
City and Township contributions	147,500	2,024,384	2,110,249	85,865
Other contributions and service charges	425,000	450,865	451,945	1,080
Other revenues	47,400	47,388	114,257	66,869
Total Revenue	<u>4,247,344</u>	<u>5,985,774</u>	<u>6,259,944</u>	<u>274,170</u>
Expenditures				
Preservation	762,548	2,520,653	2,334,775	185,878
Regular maintenance	2,894,972	3,018,650	3,247,525	(228,875)
Trunkline maintenance	400,000	425,000	431,333	(6,333)
Administrative (net)	376,802	302,491	437,817	(135,326)
Equipment expense (net)	173,022	(178,200)	(51,007)	(127,193)
Capital outlay (net)	(360,000)	(370,600)	(457,816)	87,216
Total Expenditures	<u>4,247,344</u>	<u>5,717,994</u>	<u>5,942,627</u>	<u>(224,633)</u>
Excess of Revenues Over (Under) Expenditures	-	267,780	317,317	49,537
Fund Balance, Beginning of Year	1,862,240	1,862,240	1,862,240	-
Fund Balance, End of Year	<u>\$ 1,862,240</u>	<u>\$ 2,130,020</u>	<u>\$ 2,179,557</u>	<u>\$ 49,537</u>

ADDITIONAL SUPPLEMENTAL INFORMATION

CHARLEVOIX COUNTY ROAD COMMISSION
ANALYSIS OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE -- SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2007

	Appropriated			
	Primary Roads	Local Roads	County Road Fund	Total
Revenues				
Federal	\$ 336,015	\$ -	\$ -	\$ 336,015
Transportation Fund	1,922,653	1,054,865	-	2,977,518
Engineering	6,500	3,500	-	10,000
Snow removal allocation	87,533	47,133	-	134,666
Total Transportation	2,016,686	1,105,498	-	3,122,184
Economic Development Fund	80,063	45,231	-	125,294
Township contributions	586,562	1,521,136	2,551	2,110,249
Other				
Trunk line maintenance	-	-	442,266	442,266
Trunk line non- maintenance	-	-	7,416	7,416
Salvage sales	-	-	1,887	1,887
Interest earned	28,600	-	15,400	44,000
Other	24	-	70,609	70,633
Total Other	28,624	-	537,578	566,202
Total Revenues	3,047,950	2,671,865	540,129	6,259,944
Expenditures				
Preservation - Structural Improvements	1,114,546	1,220,229	-	2,334,775
Maintenance				
Roads	539,121	1,593,012	-	2,132,133
Winter maintenance	462,843	618,855	-	1,081,698
Traffic control	25,381	8,313	-	33,694
Total Maintenance	1,027,345	2,220,180	-	3,247,525
Other				
Trunk line maintenance	-	-	431,333	431,333
Administrative expense	167,987	269,830	-	437,817
Equipment expense	549,170	915,809	77,532	1,542,511
Less: equipment rental	(567,328)	(946,092)	(80,098)	(1,593,518)
Capital outlay	-	-	29,401	29,401
Less: depreciation	(151,715)	-	(335,502)	(487,217)
Total Other	(1,886)	239,547	122,666	360,327
Total Expenditures	2,140,005	3,679,956	122,666	5,942,627
Excess (Deficiency) of Revenues Over (Under) Expenditures	907,945	(1,008,091)	417,463	317,317
Other Financing Sources (Uses)				
Optional transfers	(276,419)	276,419	-	-
Excess (Deficiency) of Revenues and Other Sources Over (Under) Expenditures and Other Uses	631,526	(731,672)	417,463	317,317
Fund Balances, Beginning	1,340,858	-	521,382	1,862,240
Interfund Adjustment	-	731,672	(731,672)	-
Fund Balances, Ending	\$ 1,972,384	\$ -	\$ 207,173	\$ 2,179,557

See independent auditor's report.



Gardner | Provenzano Schauman & Thomas

CERTIFIED PUBLIC ACCOUNTANTS

Frederick C. Gardner
Giacamo Provenzano
James R. Schauman
Heather A. Thomas

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

May 30, 2008

Members of the Board
of County Road Commissioners
of Charlevoix County
Charlevoix, Michigan

We have audited the financial statements of the governmental activities of the Charlevoix County Road Commission, a component unit of Charlevoix County, as of and for the year ended December 31, 2007, which collectively comprise the Charlevoix County Road Commission's basic financial statements, and have issued our report thereon dated May 30, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Charlevoix County Road Commission's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Charlevoix County Road Commission's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Charlevoix County Road Commission's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Charlevoix County Road Commission's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of Charlevoix County Road Commission's financial statements that is more than inconsequential will not be prevented or detected by Charlevoix County Road Commission's internal control. We consider the following deficiency to be a significant deficiency in internal control over financial reporting.

We noted that the Routine Maintenance receivable from the State of Michigan at December 31, 2007 was understated by \$63,875.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Charlevoix County Road Commission's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we consider the deficiency described above to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Charlevoix County Road Commission's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Members of the Board
of County Road Commissioners
of Charlevoix County
Page Three
May 30, 2008

This report is intended for the information of management and the Board of County Road Commissioners. However, this report is a matter of public record and its distribution is not limited.

Narda, Provenza, Schuman & Thomas

Certified Public Accountants



Gardner | Provenzano Schauman & Thomas

CERTIFIED PUBLIC ACCOUNTANTS

Frederick C. Gardner
Giacamo Provenzano
James R. Schauman
Heather A. Thomas

May 30, 2008

To the Members of the Board
of County Road Commissioners
of Charlevoix County
County of Charlevoix, Michigan

We appreciate the opportunity to conduct your audit this year. We are writing to you as we complete the audit to communicate any control deficiencies we identified during the audit and determined to be significant deficiencies or material weaknesses. This communication is a requirement of the new auditing standard: **Statement on Auditing Standards (SAS) 112: Communicating Internal Control Related Matters Identified in an Audit**. The new standard applies to the audits of any financial statements with periods ending on or after December 15, 2006.

In planning and performing our audit of the financial statements of Charlevoix County Road Commission as of and for the year ended December 31, 2007, in accordance with auditing standards generally accepted in the United States of America, we considered Charlevoix County Road Commission's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the a governmental unit's internal control. Accordingly, we do not express an opinion on the effectiveness of the governmental unit's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a deficiency in internal control that we consider to be a significant deficiency.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles

To the Members of the Board
of County Road Commissioners
May 30, 2008
Page Two

such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. We believe that the following deficiency constitutes both a significant deficiency and a material weakness:

We noted that the Routine Maintenance receivable from the State of Michigan was understated at December 31, 2007 by \$63,875.

This communication is intended solely for the information and use of management, Members of the Board of County Road Commissioners of Charlevoix County, and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

Borden, Pronovost, Schauman & Thomas
Certified Public Accountants